
By: **Delegate C. Davis**

Introduced and read first time: February 11, 2003

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Balancing Budget Act of 2003**

3 FOR the purpose of altering the motor fuel tax rates for certain motor fuels; altering
4 a certain tax rate under the Maryland State income tax on individuals for
5 certain taxable years; altering the amount that an individual may deduct for
6 certain exemptions to determine Maryland taxable income for purposes of the
7 Maryland income tax for certain taxable years; altering the rate of the sales and
8 use tax; requiring the Comptroller to issue new employer withholding tables
9 reflecting a certain rate and amount allowed for personal exemptions; requiring
10 the Comptroller to waive certain interest and penalty for a certain taxable year;
11 providing for the application of this Act; providing for the termination of parts of
12 this Act; and generally relating to certain State taxes.

13 BY repealing and reenacting, with amendments,
14 Article - Tax - General
15 Section 9-305, 10-105(a), 10-211, 11-104(a) and (b), and 11-301
16 Annotated Code of Maryland
17 (1997 Replacement Volume and 2002 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
19 MARYLAND, That the Laws of Maryland read as follows:

20 **Article - Tax - General**

21 10-105.

22 (a) The State income tax rate for an individual is:

- 23 (1) 2% of Maryland taxable income of \$1 through \$1,000;
24 (2) 3% of Maryland taxable income of \$1,001 through \$2,000;
25 (3) 4% of Maryland taxable income of \$2,001 through \$3,000; and
26 (4) for Maryland taxable income in excess of \$3,000:

- 1 (i) 4.875% for a taxable year beginning after December 31, 1997
2 but before January 1, 1999;
- 3 (ii) 4.85% for a taxable year beginning after December 31, 1998 but
4 before January 1, 2000;
- 5 (iii) 4.85% for a taxable year beginning after December 31, 1999 but
6 before January 1, 2001;]
- 7 (iv) (I) 4.8% for a taxable year beginning after December 31,
8 [2000] 2002 but before January 1, [2002] 2005; and
- 9 (v) (II) 4.75% for a taxable year beginning after December 31,
10 [2001] 2004.

11 10-211.

12 Whether or not a federal return is filed, to determine Maryland taxable income,
13 an individual other than a fiduciary may deduct as an exemption:

14 (1) for each exemption that the individual may deduct in the taxable
15 year to determine federal taxable income under § 151 of the Internal Revenue Code:

- 16 (i) \$1,750 for a taxable year beginning after December 31, 1997 but
17 before January 1, 1999;
- 18 (ii) \$1,850 for a taxable year beginning after December 31, 1998 but
19 before January 1, 2000;
- 20 (iii) \$1,850 for a taxable year beginning after December 31, 1999 but
21 before January 1, 2001;]
- 22 (iv) (I) \$2,100 for a taxable year beginning after December 31,
23 [2000] 2002 but before January 1, [2002] 2005; and
- 24 (v) (II) \$2,400 for a taxable year beginning after December 31,
25 [2001] 2004;

26 (2) for each dependent, as defined in § 152 of the Internal Revenue Code,
27 who is at least 65 years old on the last day of the taxable year, an additional:

- 28 (i) \$1,750 for a taxable year beginning after December 31, 1997 but
29 before January 1, 1999;
- 30 (ii) \$1,850 for a taxable year beginning after December 31, 1998 but
31 before January 1, 2000;
- 32 (iii) \$1,850 for a taxable year beginning after December 31, 1999 but
33 before January 1, 2001;]

1 [(iv)] (I) \$2,100 for a taxable year beginning after December 31,
2 [2000] 2002 but before January 1, [2002] 2005; and

3 [(v)] (II) \$2,400 for a taxable year beginning after December 31,
4 [2001] 2004;

5 (3) an additional \$1,000 if the individual, on the last day of the taxable
6 year, is at least 65 years old; and

7 (4) an additional \$1,000 if the individual, on the last day of the taxable
8 year, is a blind individual, as described in § 10-208(c) of this subtitle.

9 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
10 read as follows:

11 **Article - Tax - General**

12 9-305.

13 The motor fuel tax rate is:

14 (1) 7 cents for each gallon of aviation gasoline;

15 (2) [23.5] 28.5 cents for each gallon of gasoline other than aviation
16 gasoline;

17 (3) [24.25] 29.25 cents for each gallon of special fuel other than
18 clean-burning fuel or turbine fuel;

19 (4) 7 cents for each gallon of turbine fuel; and

20 (5) [23.5] 28.5 cents for each gasoline-equivalent gallon of
21 clean-burning fuel except electricity.

22 11-104.

23 (a) Except as otherwise provided in this section, the sales and use tax rate is:

24 (1) for a taxable price of less than \$1:

25 (i) 1 cent if the taxable price is 20 cents; [and]

26 (ii) [1 cent for each additional 20 cents or part of 20 cents; and] 2
27 CENTS IF THE TAXABLE PRICE IS AT LEAST 21 CENTS BUT LESS THAN 34 CENTS;

28 (III) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 34 CENTS BUT
29 LESS THAN 51 CENTS;

30 (IV) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 51 CENTS BUT
31 LESS THAN 67 CENTS;

1 (V) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 67 CENTS BUT
2 LESS THAN 84 CENTS; AND

3 (VI) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 84 CENTS; AND

4 (2) for a taxable price of \$1 or more:

5 (i) [5] 6 cents for each exact dollar; and

6 (ii) [1 cent for each 20 cents or part of 20 cents] FOR THAT PART OF
7 A DOLLAR in excess of an exact dollar:

8 1. 1 CENT IF THE EXCESS OVER AN EXACT DOLLAR IS AT
9 LEAST 1 CENT BUT LESS THAN 17 CENTS;

10 2. 2 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
11 LEAST 17 CENTS BUT LESS THAN 34 CENTS;

12 3. 3 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
13 LEAST 34 CENTS BUT LESS THAN 51 CENTS;

14 4. 4 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
15 LEAST 51 CENTS BUT LESS THAN 67 CENTS;

16 5. 5 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
17 LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND

18 6. 6 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
19 LEAST 84 CENTS.

20 (b) If a retail sale of tangible personal property or a taxable service is made
21 through a vending or other self-service machine, the sales and use tax rate is [5%]
22 6%, applied to [95.25%] 94.5% of the gross receipts from the vending machine sales.

23 11-301.

24 The sales and use tax is computed on:

25 (1) the taxable price of each separate sale;

26 (2) if a combined sale is made, the combined taxable price of all retail
27 sales on the same occasion by the same vendor to the same buyer; or

28 (3) if retail sales of tangible personal property or a taxable service are
29 made through vending or other self-service machines, [95.25%] 94.5% of the gross
30 receipts from the retail sales.

31 SECTION 3. AND BE IT FURTHER ENACTED, That the Comptroller shall
32 issue new employer withholding tables, to be effective as of July 1, 2003, reflecting the
33 revised top marginal tax rate for 2003 and the revised amount allowed for personal
34 exemptions for 2003 under this Act. The Comptroller shall waive any interest or

1 penalty imposed on an individual relating to payment of estimated tax for calendar
2 year 2003 to the extent that the Comptroller determines that the interest or penalty
3 would not have been incurred but for the revisions under this Act to the top marginal
4 tax rate and the amount allowed for personal exemptions.

5 SECTION 4. AND BE IT FURTHER ENACTED, That each person holding
6 tax-paid motor fuel, excluding aviation fuel, for sale at the start of business on July 1,
7 2003, shall compile and file an inventory of the motor fuel held at the close of business
8 on June 30, 2003, and remit within 30 days any additional motor fuel taxes that are
9 due.

10 SECTION 5. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
11 be applicable to all taxable years beginning after December 31, 2002.

12 SECTION 6. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
13 take effect July 1, 2003. Section 2 of this Act shall remain effective for a period of 2
14 years and, at the end of June 30, 2005, with no further action required by the General
15 Assembly, Section 2 of this Act shall be abrogated and of no further force and effect.

16 SECTION 7. AND BE IT FURTHER ENACTED, That, except as provided in
17 Section 6 of this Act, this Act shall take effect June 1, 2003.